

State of Utah
Division of Purchasing & General
Services

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Douglas Richins, Director



Date : 6/4/98

To: Kathi Delio

Fax # 359-3940

Phone # _____

From: Walt Miller

Comments:

See your approval.
@

Number of pages _____
(Including cover sheet)

RX 560 E200000022

SUPPLEMENT TO FORM DP-5 SOLE SOURCE REQUEST**AGENCY REQUESTING AUTHORIZATION:** Division of Oil, Gas and Mining**ITEMS TO BE PURCHASED:****TESTING, Laboratory Analysis-**

Attached is a Bid Sheet for laboratory analysis of mine materials taken from a cyanide gold heap leach operation at the Drum Mine near Delta, Utah. The work consists of preparation and analysis of materials sampled from cyanide heap leach pads, overburden waste materials and ponds used for the mining operations. The number of samples and the parameters to be analyzed are as specified on the attached Bid Sheet, the Total Amount will be adjusted based on the Unit Cost for each sample in the event that the number of samples actually analyzed differ from the number of samples indicated on the Bid Sheet. Three copies of the lab reports are required plus one additional copy of the analysis is to be provided on diskette.

APPROXIMATE COST: \$ 32,930.00

Attached is a completed Bid Sheet from the Recommended Vendor.

RECOMMENDED VENDOR OR CONTRACTOR:

Clayton Chappell or Matthew A. DeBurlie
McClelland Laboratories, Inc.
1016 Greg Street
Sparks, Nevada 89431
phone (702) 356-1300
fax (702) 356-8917

SOLE SOURCE STATUS DETERMINED AS FOLLOWS:

The Division of Oil, Gas and Mining (DOGM) is in the process of characterizing an abandoned mine site for reclamation which is planned to be conducted this summer. DOGM has reached an Agreement (attached) with Western States Minerals Corporation, wherein DOGM is required to conduct laboratory analysis of mine waste material. Western States Minerals Corporation has collected the samples from the mine site near Delta and is currently holding the samples for analysis in Reno, Nevada. Because the sample size require that each sample weigh approximately 125 pounds, the total weight of the samples is estimated at 2,750 pounds and would require additional shipping costs if an alternate lab site could be found to conduct the analysis.

McClelland Laboratories, Inc. is a Reno based lab which is familiar with and conducted previous samples of mine waste materials from the Drum Mine site. Western States Minerals Corporation has used McClelland Laboratories in the past and has highly recommended them to complete the analysis for these samples.

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OIL GAS MINING

FAX NO. 3585840

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Due to the complex nature of the analysis required, familiarity with the sampling and testing procedures is essential to ensure reliable test results. Further, specific tests included in the suite of analysis are specific to the requirements of the Nevada Division of Environmental Protection who have prescribed a standard for analysis of these materials known as the Meteoric Water Mobility Procedure (MWMP) Profile II, Bureau of Mining Regulation and Reclamation, Nevada Division of Environmental Protection. DOGM has chosen to adopt these testing procedures because Utah regulations are not specific to the standards and requirements for mine leach dump reclamation and the Nevada standards met BLM and DEQ standards for approval.

Neither DOGM nor Western States Minerals Corporation know or any local labs which are familiar to the specific analysis requirements for these samples. In order to complete the analysis in a timely manner that will allow for completion of the site characterization and the reclamation of the mine by the end of this year, DOGM is recommending that McClelland Laboratories, Inc. be used as a sole source vendor for these tests.

In the event that the number of sample quantities are less than those indicated on the Bid Sheet, the Total Amount will be reduced by the Unit Cost for each sample parameter. No samples in addition to the total number indicated on the Bid Sheet are planned. This work is expected to be a one-time occurrence with no further sampling or testing expected beyond the scope of the work as specified in the Bid Sheet.

OK Gregory A Hall 6/4/98
(but under protest - after the fact situation)

AGREEMENT


This Agreement between the Utah State Department of Natural Resources, Division of Oil, Gas and Mining (DOGM), and Western States Minerals Corporation (WESTERN) contemplates collection and analysis of samples taken at the Drum Mine site. DOGM and WESTERN share an interest in collecting, sampling and analysis of certain features at the Drum Mine area, because both parties are actively engaged in determining appropriate closure and reclamation plans for various portions of the entire mine site. DOGM is conducting reclamation work under bond forfeiture by Jumbo Mining Company (JUMBO) and WESTERN is conducting reclamation work within their designated portions of the Drum Mine permit area. DOGM and WESTERN shall share in the costs and results of sampling information taken at the mine site in order to determine the mitigation requirements necessary for reclamation of the entire mine site. Sample analyses will be used to determine appropriate reclamation treatments and to evaluate soil and cover materials needed for reclamation.

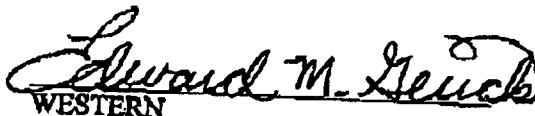
WESTERN has proposed and DOGM has evaluated the scope of work planned by both parties at the Drum Mine site. Those portions of the site work related to JUMBO's permit area are as described in DOGM/BLM's sampling plan dated April 6, 1998. More specifically, the sites requiring sampling related to JUMBO are: HG-1, HG-2, HG-3, HG-4&5 and the pregnant and barren ponds. Sampling will require the excavation of 27 test pits from which approximately 135 samples will be collected. Additionally, samples of the pond solution and sludge will also be taken. The portions of the site work related to WESTERN's permit area are as described in the *Characterization Sampling Program for Heap Leach Pads and Waste Rock Dumps Located at the Drum Mine*, dated November 1997 and *Addendum* dated February 3, 1998. To equitably share in the costs and activities associated with the collection and sampling requirements for the entire site, DOGM and WESTERN agree as follows:

WESTERN shall be responsible for conducting and funding all field work necessary to locate, identify, collect and store samples taken at the Drum Mine site and deliver them to the selected laboratory for analysis. As of this date, WESTERN has collected the samples for which it is responsible including samples for potential growth media borrow areas. Since time is of essence, it is proposed that this agreement be consummated no later than May 29, 1998, so that the DOGM portion of the DRUM sampling can begin no later than June 2, 1998. If this deadline cannot be met, WESTERN declines to participate in this agreement and will proceed independently with its own analyses and will not be responsible for DOGM's sampling.

DOGM shall identify a suitable laboratory to conduct the sample preparation, analysis and reports necessary for the samples. Laboratory selection shall be in accordance with the Utah Procurement Code which may require a competitive bidding process of qualified labs. DOGM then will pay for the direct costs associated with all laboratory work.

So agreed this 21 day of May, 1998.


DOGM Associate Director
Mining


WESTERN
Edward M. Gerick
Vice President Operations

FAX TO (801) 359-3940

ATTENTION: RANDY HARDEN
Division of Oil, Gas & Mining

INVITATION TO BID

Attached is a Bid Sheet for laboratory analysis of mine materials taken from a cyanide gold heap leach operation at the Drum Mine near Delta, Utah. The work consists of preparation and analysis of materials sampled from cyanide heap leach pads, overburden waste materials and ponds used for the mining operations. The number of samples and the parameters to be analyzed are as specified on the attached Bid Sheet, the Total Amount will be adjusted based on the Unit Cost for each sample in the event that the number of samples actually analyzed differ from the number of samples indicated on the Bid Sheet. Three copies of the lab reports are required plus one additional copy of the analysis is to be provided on diskette. These samples have been collected and are awaiting analysis. Your prompt response to this Invitation to Bid is sincerely appreciated.

Please complete the following as well as the Bid Sheet and :

1. Company, Address, Person to Contact, Phone and Fax Number:

MCCLELLAND LABORATORIES, INC
1016 GREG STREET
SPARKS, NV 89431
ATTN: CLAYTON CHAPPELL OR MATTHEW A. DEBUELE
PHONE # (702) 356-1300
FAX # (702) 356-8917

2. I/WE CHOOSE ☒ TO BID, or ☐ NOT TO BID on the Work.

3. TOTAL COST (from Bid Sheet) \$ \$32,930⁰⁰

TOTAL COST (from Bid Sheet) (as written)

Thirty-two thousand Nine hundred thirty and ⁰⁰/₁₀₀ S

4. Estimated days to complete work from date of sample delivery to lab 60 DAYS

5. Any comments, requirements or other alternatives offered:

6. By: Clayton W. Chappell Date: 3 JUNE 1998

JUN-04-98 WED 11:52 AM DIV OF OIL GAS MINING FAX NO. 3593940
 06/03/98 13:53 MCCLELLAND LABORATORIES, INC. (702) 559-2331
 JUN-03-98 WED 11:50 AM DIV OF OIL GAS MINING FAX NO. 3593940

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P.00/04

BID SHEET:

SAMPLE TYPES	QUANTITY	UNIT COST	TOTAL COST
HEAP PAD SAMPLES			
SAMPLE PREPARATION	22	\$50 ⁰⁰	\$1,100 ⁰⁰
MWMP/NDEP PROFILE II	22	\$660 ⁰⁰	\$14,520 ⁰⁰
STATIC TEST AGP-ANP	22	\$95 ⁰⁰	\$2,090 ⁰⁰
MOISTURE CONTENT WAD CN	22	\$55 ⁰⁰	\$1,210 ⁰⁰
PERMEABILITY, POROSITY, RETENTION	22	\$370 ⁰⁰	\$8,140 ⁰⁰
SUBTOTAL HEAP PAD SAMPLES	22	\$1,230 ⁰⁰	\$27,060 ⁰⁰
WASTE DUMP SAMPLES			
SAMPLE PREPARATION	4	\$50 ⁰⁰	\$200 ⁰⁰
STATIC TEST AGP-ANP	4	\$95 ⁰⁰	\$380 ⁰⁰
SUBTOTAL WASTE DUMP SAMPLES	4	\$145 ⁰⁰	\$580 ⁰⁰
HEAP PERIMETER SAMPLES			
SAMPLE PREPARATION	4	\$50 ⁰⁰	\$200 ⁰⁰
MWMP/NDEP PROFILE II	4	\$660 ⁰⁰	\$2,640 ⁰⁰
SUBTOTAL HEAP PERIMETER SAMPLES	4	\$710 ⁰⁰	\$2,840 ⁰⁰
POND SEDIMENT SAMPLES			
SAMPLE PREPARATION	2	\$50 ⁰⁰	\$100 ⁰⁰
MWMP/NDEP PROFILE II	2	\$660 ⁰⁰	\$1,320 ⁰⁰
MOISTURE CONTENT WAD CN	2	\$55 ⁰⁰	\$110 ⁰⁰
SUBTOTAL POND SAMPLES	2	\$765 ⁰⁰	\$1,530 ⁰⁰
POND WATER SAMPLES			
NDEP PROFILE II	2	\$460 ⁰⁰	\$920 ⁰⁰
SUBTOTAL POND WATER SAMPLES	2	\$460 ⁰⁰	\$920 ⁰⁰
TOTAL	34		\$32,930⁰⁰

NOTES:

- SAMPLE PREPARATION includes blending, splitting and compositing.
- MWMP (Metallic Water Mobility Procedure) determines the capability of specific constituents (NDEP Profile II) to be mobilized by aqueous events. (MWMP O Nevada protocol and SPLP EPA Method 1312.)
- NDEP Profile II test for: Alkalinity, Calcium, Magnesium, Potassium, Sodium, Chloride, Fluoride, Nitrate as N, Sulfate, Arsenic, Barium, Cadmium, Chromium, Copper, Iron, Lead, Manganese, Mercury, Selenium, Silver and Zinc. WAD CN/ANP
- STATIC TEST AGP-ANP (Modified Sebck Method w/paste pH) tests for acid generating potential and acid neutralizing potential.
- POND SAMPLES will be taken for both water and sediment in each pond.